

# Venezuela and Production Possibilities Curve

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A **production possibilities curve** (or frontier) is a graph economists use to show trade-offs and opportunity costs between the production of two goods/services. Kahn Academy defines PPC (or PPF) as the set of possible combinations of goods and services a society can produce given the resources available. Choices outside the PPF are unattainable (in other words, you cannot reach that goal given your fixed resources), and choices inside the PPF are inefficient (you could be producing more but are not using the resources you have).

You have been studying the economic crisis facing the nation Venezuela, a once “free market” nation that transitioned to a more planned (command) economy in the 1980s and 1990s. There is a food shortage facing the nation. Many skip work to stand in long food lines, sometimes waiting for hours only to receive nothing. You skip work, you don’t get paid. You don’t get paid, you don’t have money. Work. Food. Time. Choices.

Before we see how this looks on a graph, study the following points.

- 1) In the situation above, there are two choices for the people. Either skip work to stand in food lines or go to work. You are choosing either work or food.
- 2) If you miss an entire day of work, you have no money but a chance to get food. If you work all day, you have money but no food.
- 3) You cannot be at two places at one time, so you must choose – go to work or stand in food lines.

You will now draw a production possibilities frontier/curve that represents this dilemma.

## LABELING YOUR PPF

- 1) Label WORK on y-axis.
- 2) Label FOOD on x-axis.

## ANSWER THE FOLLOWING QUESTIONS:

- 1) You see a trade-off between what two things?
- 2) If you choose to work all day, then how much time can you spend in the food line?
- 3) Let’s say you had planned to work all day (Pt. A) but now would like to stand in the food line (Pt. B). If you choose to spend some time in the food line, what must you do in terms of work?

